ANNUAL REPORT 2000

CANADIAN HYDRO DEVELOPERS

For Canadian Hydro Developers,
"Environmental stewardship"
Is not just a phrase designed
To catch your eye
In an annual report.

It is much more than that.

Environmental stewardship
Is the foundation
Upon which Canadian Hydro
Has built their business.

It is the framework
Of the vision and planning
That will carry this company
Into the future.

For Canadian Hydro Developers
Environmental stewardship
Is not only
The secret to their success,
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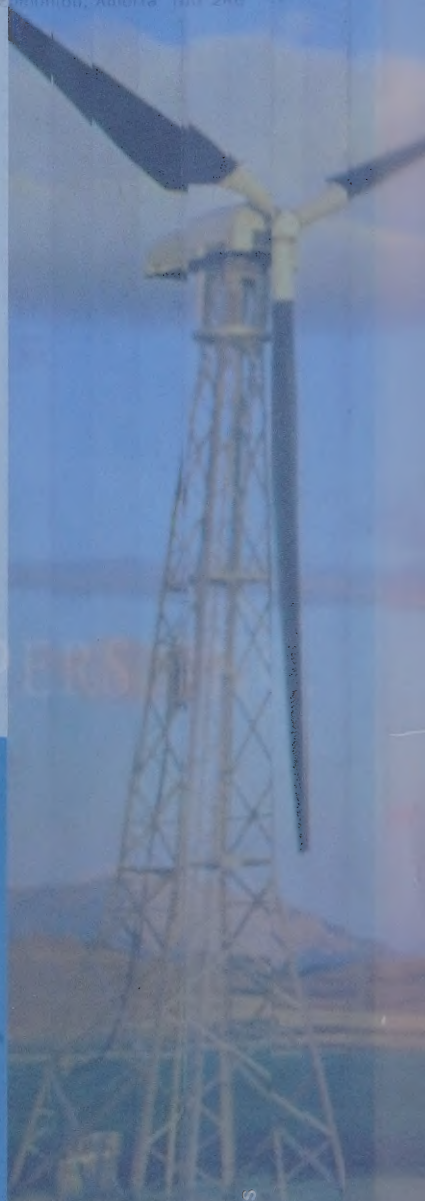

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Annual General Meeting

The 2000 Annual General Meeting of the Shareholders of Canadian Hydro Developers, Inc. will be held at the Calgary Zoo Discovery Centre, Calgary, Alberta at 3:30 pm on Wednesday, April 25th, 2001.

John D. Keating
Chief Executive Officer

Top Management Award

February 2001, Canadian Hydro received the first National Award in Public Affairs for Management from the Arthur Kroeger College at Carlton University, Ottawa. Canadian Hydro was given the award in recognition of their concern for the environment, sound human resources management and for being at the forefront of technological development in an industry that will have both national and international impact.

The Energy to make a Difference

CEO's Message

This was yet another year of outstanding achievement and growth for Canadian Hydro. In last year's Report to Shareholders, management undertook to more effectively communicate that Canadian Hydro is a leading supplier of alternative energy products providing solid long-term returns for both investors and the environment. We have kept that promise. Your company ended the year in the Top 10 TSE percentage gainers for 2000 - an accomplishment we can all be proud of.

Much work remains, though, as Alberta and Ontario continue to move towards competitive electricity markets. Independent power producers have an obligation to respond to price signals and provide much needed energy supply throughout North America. Citizens now expect business to embrace sound environmental practices. Only competitive forces will ensure the development of innovative low-impact technologies at the lowest possible cost to address society's concern for the environment.

A Growing Concern

In May 2000, Profit Magazine, a leading Canadian business publication, recognized Canadian Hydro Developers as one of the nation's fastest growing businesses.

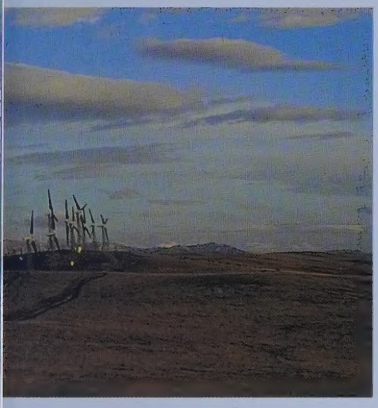
Canadian Hydro's Board of Directors: John Keating, Dennis Erker, David Stenason, Ross Keating and Kevin Brown

Ross Keating
President and Chief Operating Officer

The unfortunate coincidence of natural gas prices rising dramatically, at the same time that many jurisdictions are deregulating their power markets, has resulted in much confusion. The fact is that both factors have contributed to the dilemma.

The rise in fossil fuel prices dispels the myth that renewable energy, such as wind and water power, require premium prices in order to compete. Renewable energy is competitive with traditional technologies. In addition to the obvious health benefits, renewables can offer price stability since much of the capital is up-front and is divorced from the effects of variable fuel costs.

The future is clear. Renewable energy is economical to the end user, profitable to the generator and beneficial to the environment. Seldom do business fundamentals line up so favourably all at once. Canadian Hydro's response has been to accelerate development plans in order to secure market share from low-impact sources.



2000 ACHIEVEMENT SUMMARY

(For more detailed information about each of these projects you are invited to review the Report on Operations.)

- **Record operating results** with gross revenue of $17.7 million, as compared to $9.5 million in 1999 - an 86% gain; record generation of 235 million kilowatt hours. Cash flow and net earnings of $6.4 million and $2.8 million respectively were also substantially ahead of last year.

- **Start-up of the 13 MW Taylor Hydroelectric Plant** with 50% partner EPCOR Power Development Corporation in May.

- **Successful commissioning of the 6 MW Drywood Plant,** Canadian Hydro's first natural gas-fuelled plant.

- **Installation of five new 375 kW wind turbines** as an addition to the existing 52 turbines at the Cowley Ridge Wind Plant in southern Alberta. Shell Canada has contracted to purchase the output from three of these new machines while the balance is being sold on the buoyant spot market.

- **Acquisition of the 20.5% minority interest** in three Alberta hydroelectric plants in which Canadian Hydro holds the 79.5% majority interest.

- **Site preparation for 2001 construction** of the 30MW Pingston hydroelectric plant near Revelstoke, B.C. was completed.

- **Development projects totaling approximately 200 MW** are in various stages of permitting. At least 20MW of new generation will be operational in 2001.

- **Raised $12 million in a private placement** of 6.3 million special warrants at $1.90 each. Each special warrant represents one common share plus one-half share purchase warrant, exercisable at $2.00 per share for two years. The Company expects to issue further equity during 2001 in order to finance its accelerated growth.

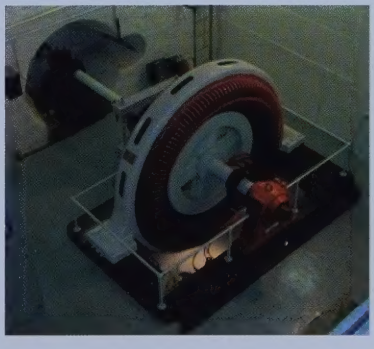
- **Exited 2000 with ownership and operation** of 11 low-impact power plants totaling 62 MW.

In addition to new shareholders, we welcome the appointment of Kevin J. Brown to the Board of Directors. Mr. Brown, a prominent figure in the Canadian energy industry, is a Managing Director of ARC Financial Corporation. Mr. Brown will chair the Compensation Committee and sit as a member of the Audit Committee.

Canadian Hydro acknowledges the contributions made by its employees at all levels throughout the year. Their efforts provide the many years of opportunities ahead and are responsible for our history of steady growth.

On behalf of the Board of Directors,

John D. Keating
Chief Executive Officer



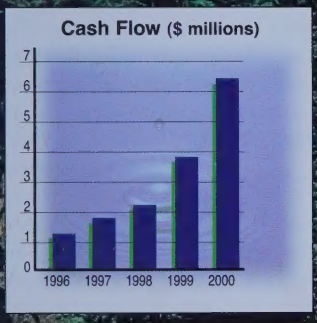
Financial Highlights

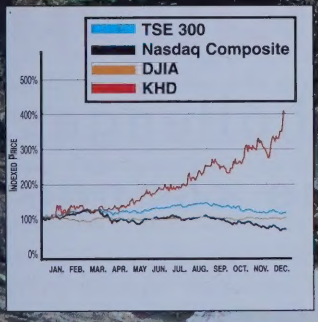
FINANCIAL	December 31 2000	1999
Revenue	$17,745,163	$9,553,909
Earnings -Total	2,770,303	1,307,316
- Per share, fully diluted	0.10	0.05
Cash Flow -Total	6,350,109	3,670,039
- Per share, fully diluted	0.21	0.13
Working Capital (deficiency)	43,630	(1,704,972)
Capital Expenditures	6,208,696	9,718,999
Long-term debt, excluding current portion	30,914,426	37,206,193
Shareholders' equity	31,725,956	16,953,699
Common shares outstanding – Basic	28,062,427	27,137,427
-Fully diluted*	41,302,707	29,882,427
OPERATING		
Electrical generation (MWh)		
- 100% interest	259,632	184,551
- Company share	235,160	176,492
Generating Capacity (MW)		
- 100% interest	68.8	66.7
- Company share	62.3	58.6

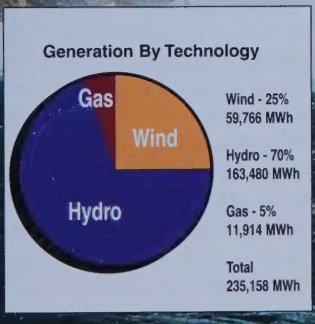
* Fully diluted shares includes all Warrants and Options outstanding.
(See note 6 in financial statements)

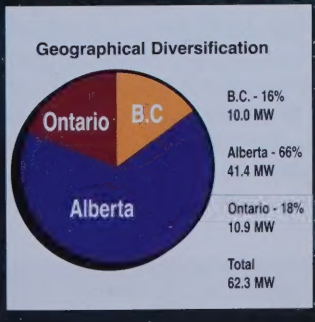
Abbreviations:
- Kilowatt hour (1000 watt hours) kWh - Megawatt hour (1000 kWh) MWh
- Megawatt (1000 kilowatts) MW


Revenue ($ millions)
18
16
14
12
10
8
6
4
2
0
1996 1997 1998 1999 2000


Cash Flow ($ millions)
7
6
5
4
3
2
1
0
1996 1997 1998 1999 2000


TSE 300
Nasdaq Composite
DJIA
KHD
INDEXED PRICE
500%
400%
300%
200%
100%
0%
JAN. FEB. MAR. APR. MAY JUN. JUL. AUG. SEP. OCT. NOV. DEC.


Generation By Technology
Gas
Wind
Hydro
Wind - 25%
59,766 MWh
Hydro - 70%
163,480 MWh
Gas - 5%
11,914 MWh
Total
235,158 MWh


Geographical Diversification
Ontario
B.C
Alberta
B.C. - 16%
10.0 MW
Alberta - 66%
41.4 MW
Ontario - 18%
10.9 MW
Total
62.3 MW

The Era of Deregulation

Meeting the challenges, embracing the change.

By Lewis Manning

Electricity deregulation in North America has created a new and challenging environment in which to do business. If anything, the number one lesson learned by the industry to date is that we should always "expect the unexpected."

The process of deregulation has also taught us that consumers have a clear preference for low-impact, renewable energy projects. Consumers view environmentally responsible developments that use "natural" energy sources, such as run-of-river hydro, wind, and biomass, as right for the times. It is precisely these types of projects that Canadian Hydro is focused on.

In following management philosophy to seek cost-effective and commercially responsible projects, Canadian Hydro's management continues to build its generation portfolio in western Canada at a time when generation shortages continue to surface in the western power grid.

Canadian Hydro's plants in British Columbia and Alberta contribute to the ability of these Canadian provinces to provide emergency power to the state of California. This helped reduce California's rolling blackouts in January 2001.

The tight supply demand balance in the western grid continues to provide opportunity to generation developers. These opportunities must be carefully assessed from a commercial, environmental and regulatory perspective. Canadian Hydro's management focuses only on those projects that make sense in all three areas.

The new retail electricity market in Alberta commenced operation January 1st, 2001. Considering the program is still in its infancy, we expect that there will be many challenges to face before we achieve a fully competitive retail market.

The deregulation process started in 1996 with the introduction of the Power Pool of Alberta, under the new Electric Utilities Act. The Power Pool operates as the clearinghouse through which all electricity is traded in the province. It has helped market participants understand the operation of the market, how electric supply and demand impact price, and how we can improve upon the development of the market.

Suffice to say that Canadian Hydro's experience with the Power Pool has been telling. The Power Pool price for both 1999 and 2000 exceeded analysts' forecast by as much as 100 percent or more. Rising natural gas prices had a direct impact on the Power Pool clearing price. Some analysts suggest the recent price levels are also a function of the tight supply market, and that we can expect continued upward price pressure for the next two or three years. These factors have contributed to Canadian Hydro's continued strong financial performance in the year 2000 and the decision to aggressively accelerate project development plans in 2001 in response to clear market price signals from the Power Pool.

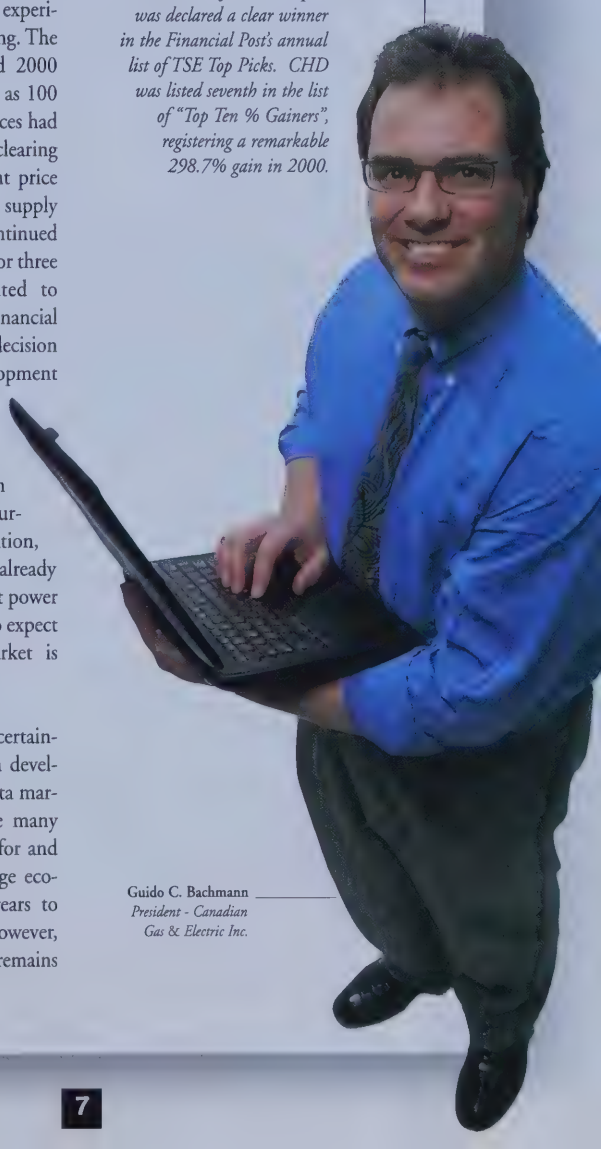
By focusing on projects that make both economic and environmental sense during the transitional period of deregulation, we expect to be able to maintain our already strong position as a leading low-impact power generation supplier in Canada. We also expect the same in Ontario, once its market is opened to competition later this year.

Yes, deregulation has created some uncertainties that have caused some generation developers to be less aggressive in the Alberta market. But at Canadian Hydro, we see many opportunities that we are well suited for and have the confidence that above average economic returns will be realized for years to come. This is not without risk, however, because the true shape of the market remains to be seen. The government of Alberta's strong and continued commitment to a competitive generation market will ultimately determine how the market will evolve.

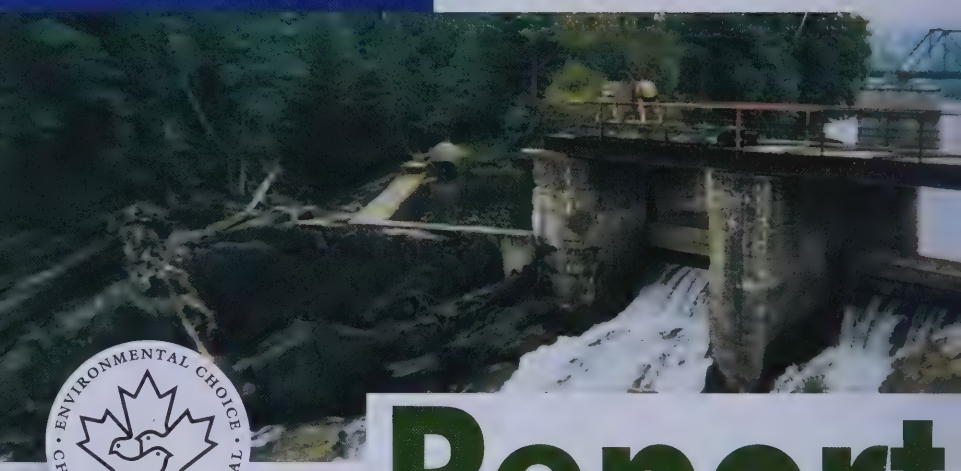
We believe a truly competitive generation market will result in cost-effective and efficient electricity generation for all consumers and the environment. ◆

Lewis Manning is the Vice President of Canadian Hydro's subsidiary company: Canadian Gas & Electric Inc.

Top Stock Pick
Canadian Hydro Developers was declared a clear winner in the Financial Post's annual list of TSE Top Picks. CHD was listed seventh in the list of "Top Ten % Gainers", registering a remarkable 298.7% gain in 2000.



Guido C. Bachmann
President - Canadian Gas & Electric Inc.

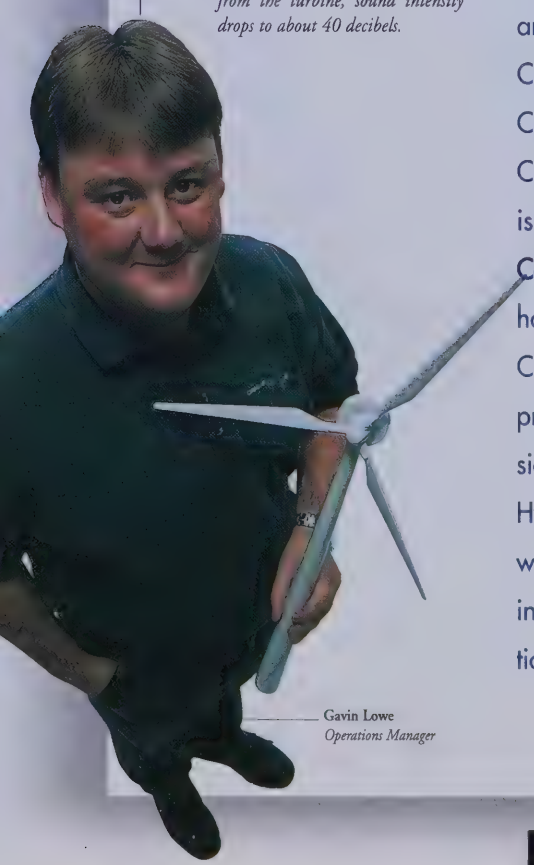


Report on

Whispering Winds

Contrary to some beliefs, wind turbines do not cause significant noise pollution. The latest models of wind turbines produce a sound intensity of between 55 and 65 decibels. Normal conversation levels average 60 decibels. If you stand about three rotor diameters (130 meters) away from the turbine, sound intensity drops to about 40 decibels.

Canadian Hydro (CHD) owns and operates nine hydroelectric, one wind and one gas fuelled plant in the three Canadian provinces of British Columbia, Alberta and Ontario. The Company's total generation capacity is now 62.3 MW. All ten of the Company's water and wind plants have been certified under Environment Canada's "Environmental Choice" program as EcoLogo Certified emissions-free energy sources. Canadian Hydro's share of electricity generation was 235,160 MWh for 2000, an increase of 33% over 1999 generation of 176,492 MWh.



Gavin Lowe
Operations Manager

Operations

Canadian Hydro's mandate is to use technologies to generate emissions-free and low-impact energy in an environmentally responsible manner. These technologies include:

HYDROELECTRIC: 163,480 MWh or 70% of total electricity generation in 2000.

With much of the equipment located underground or below the water's surface, Canadian Hydro's non-obtrusive, automated hydroelectric facilities are clean, quiet, low-maintenance and low-impact.

WIND: 59,766 MWh or 25% of total electricity generation in 2000.

Powerful winds are harnessed using utility scale wind turbines strategically positioned to extract the maximum energy from the resource while respecting wildlife and human interests.

NATURAL GAS: 11,914 MWh or 5% of total electricity generation in 2000.

The simultaneous generation of electricity and heat from clean burning natural gas creates air-shed benefits and district heating opportunities in addition to the highly efficient use of a fossil fuel. In Alberta, where natural gas is abundant and hydroelectric potential is limited, use of natural gas fuelled generation plants results in significantly lower emissions by offsetting existing coal fired generation.

TABLE A - 2000 Electricity Generation Summary on a Regional basis

PLANT	SIZE (MW)	Electricity Generation – MWh [1] 2000	1999	VARIANCE
British Columbia	10.0	53,378	60,480	- 11.7%
Alberta	41.4	117,840	63,589[2]	+85.3%
Ontario	10.9	63,942	52,423	+22.0%
Totals	62.3	235,160	176,492	+33.2%

(1) Reflecting the Company net interest (100% interest is 68.8 MW)
(2) Represents six months operations from the Cowley Ridge Wind Plant in 1999

Factors Affecting Operations:

Precipitation returned to normal conditions in Ontario throughout most of 2000, although the first half saw more moisture than the second half. Hydro generation from Alberta, excluding the new Taylor Plant, was stricken by drought that resulted in generation 20% below budget. This situation may repeat itself in 2001, given the low snow pack to date. Production at the Akolkolex Plant in British Columbia was normal, as compared to a record year in 1999. It too may be affected by low snow pack in British Columbia this winter.

Canadian Hydro's long-standing strategy of geographical and technological diversification is proving to be effective in mitigating the risk of Mother Nature.

New Plant Activity

Taylor Hydroelectric Plant, Alberta

Together with 50% partner, Edmonton-based EPCOR Power Development Corporation, the Company completed construction and commissioned the 13 MW Taylor Hydroelectric Plant in May 2000. Electricity generated at Taylor is being sold on a "merchant" basis to the Alberta spot market, rather than under long-term contracts like many of Canadian Hydro's other plants. During the operating season, Canadian Hydro elected to take advantage of the buoyant electricity market in Alberta and terminated the ten-year power purchase agreement it had with EPCOR.

Alberta Environment's Taylor's Coulee Chute, the irrigation structure around which the plant was constructed, is located south of Lethbridge, Alberta. The volume of water flowing through the canal leading to Taylor's Coulee is relatively unchanged during the irrigation season from April to October each year. Depending on the exact length of the irrigation season, the Taylor Hydroelectric Plant generates, on average, 42,500 MWh of zero emission green energy annually. Actual generation for Taylor's first season of production was 41,167 MWh, which is excellent given the project was only commissioned in May at the beginning of the irrigation season. Sales from Taylor averaged $134 per MWh for the summer irrigation season.

TABLE B - Canadian Hydro Plants & Development Projects Capacity, Ownership and contract Details

OPERATING PLANTS

Province	Type	Plant	Capacity (MW)	Ownership	Power Purchaser	Contract Expiry
BC	hydro	Akolkolex	10.0	100%	BC Hydro	April 1, 2015
Alberta	hydro	Belly River	3.0	100%	TransAlta	March 28, 2011
	hydro	Waterton	2.8	100%	TransAlta	Nov 6, 2012
	hydro	St. Mary	2.3	100%	TransAlta	Dec 10, 2012
	wind	Cowley Ridge	20.8	100%	TransAlta	Dec 31, 2013
	hydro	Taylor	13.0	50%	Shell/spot Alberta spot market	n/a
	gas	Drywood	6.0	100%	Alberta spot market	n/a
Ontario	hydro	Ragged Chute	6.6	100%	Ontario ***	March 7, 2006
	hydro	Moose Rapids	1.3	100%	Ontario	Nov 13, 2027
	hydro	Galetta	1.6	100%	Ontario	Jan 15, 2009
	hydro	Appleton	1.4	100%	Ontario	Mar 1, 2024
Operating Plant - 100% share			68.8			
- Company share			62.3			

DEVELOPMENT PROJECTS

Province	Type	Plant	Capacity (MW)	Ownership	Power Purchaser	Contract Expiry
B.C.	hydro	Pingston*	30.0	50%	Spot	
	hydro	Mamquam	25.0	50%	pursuing	
	hydro	Ashlu	54.0	50%	pursuing	
Alberta	hydro	Dunvegan	80.0	100%	pursuing	
	wind	Cowley N **	19.5	100%	Spot	
	gas	Drywood 2	7.5	100%	Spot	
	biomass	Grande Prairie	25.0	100%	Canfor/Spot	
Ontario	hydro	Otonabee	5.6	100%	pursuing	
In development						
- 100% share			246.6			
- Company share			192.1			
Total operating and in development			315.4			
Company share			254.4			

* Under construction, start-up expected in July, 2002
** Wind equipment ordered, start-up expected in September 2001
*** Ontario refers to the Ontario Electricity Finance Corporation

Drywood Plant, Alberta

Construction of the 6 MW Drywood Plant, fuelled by natural gas, was completed and the plant began commercial operations in September 2000. This plant start-up was somewhat later than originally scheduled due to construction delays. These problems have now been rectified and the Drywood plant has been operating efficiently since September.

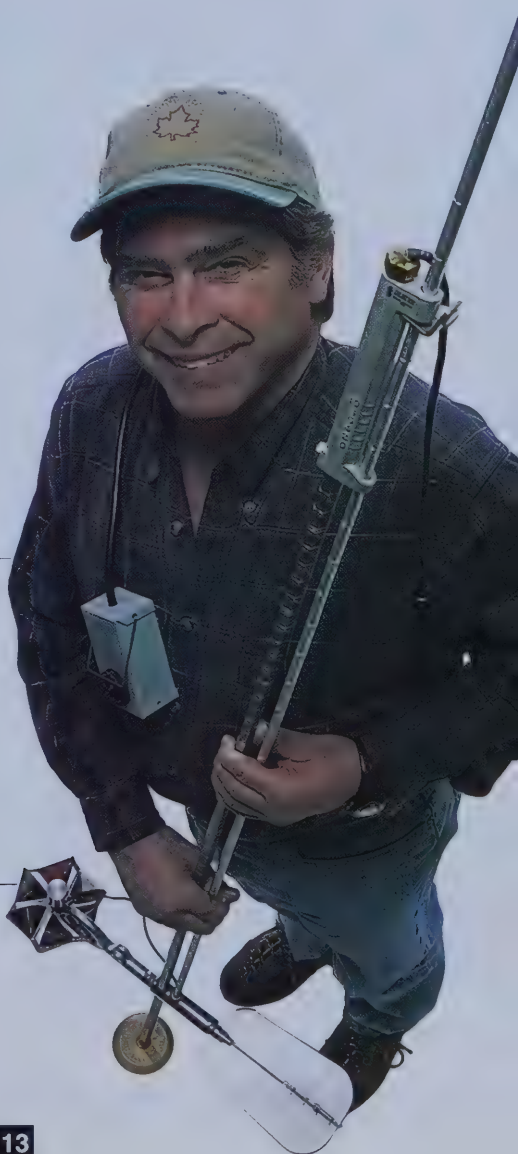
The Drywood plant is a "merchant" plant. It sells power to the Alberta market on a spot basis rather than under a long-term contract. It is expected that Drywood will supply power weekdays, primarily during on-peak hours. The Drywood Plant provides Canadian Hydro with the upside currently associated with the tight supply market in Alberta. Drywood generated 11,914 MWh during the four months of operations since start-up, or roughly 69% of the time. Sales for that period averaged $221 per MWh for this on-peak production.

Cowley Ridge Wind Plant Expansion, Alberta

The Cowley Ridge Wind Plant produced 59,766 MWh and was 5% over the projected generation for the year. The 52 existing 375kW wind turbines were supplemented by the addition of 1.875 MW in 2000 by means of five new 375 kW wind turbines.

The experienced team at Cowley Ridge will manage the construction of a planned 19.5 MW wind plant consisting of 15-1,300kW wind turbines during 2001 ("Cowley North"). These machines will be the largest to date installed anywhere in Canada. The wind from the eastern slopes of the Rocky Mountains in southern Alberta is considered one of the best wind resources in the world due to its speed and consistency.

A majority of the power produced at the existing wind plant is contracted for sale to TransAlta Utilities. The generation installed in 2000, however, is being sold to Shell Canada and the spot market. Cowley North is presently uncontracted and will likely be sold on a spot basis.



Bill Johnson
Vice President, Environmental Management

Fuel for Thought

Hydropower is second in importance only to fossil fuel generated electricity and, unlike fossil fuel generation, it is renewable and does not contribute to smog, acid rain, or the depletion of the ozone.

Source: Canadian Hydropower Association

Projects in Development

Pingston Hydroelectric Plant, B.C.

In August 2000, Canadian Hydro and its Ontario-based 50% partner Great Lakes Power, decided to construct the Pingston Hydroelectric Plant near Revelstoke, B.C. In response to improved market conditions, the capacity of the Pingston development under the BC Environmental Assessment Act Approval was recently increased from 25 to 30 MW. Site preparation began in the fall with the installation of access roads and clearing of 800 metres of penstock route. Detailed design is well underway and major contracts are being awarded. Construction will begin in earnest in the spring with start-up under an accelerated schedule expected by mid-2002.

Dunvegan Hydroelectric Plant, Alberta

In June 2000, wholly owned subsidiary, Glacier Power Ltd., filed the Environmental Impact Assessment for the 80 MW Dunvegan Hydroelectric Plant and has recently submitted a follow-up response to questions from several review agencies. If now accepted as a "completed application", the Alberta Energy and Utilities Board may schedule a public hearing prior to issuing its approval. Because of the need for additional generating capacity in northwest Alberta, Glacier expects a hearing in the third quarter with approval immediately following. This timing is nine months behind where we expected to be by this time and, consequently, Dunvegan may be delayed for up to one year due to the summer construction window. Construction is expected to commence in 2002 and be complete in late 2003.

The Dunvegan Hydroelectric Plant is designed as a low-head, run-of-river hydro plant on the Peace River. With the rise in natural gas, and therefore, electricity prices, Dunvegan has recently been increased to 80 MW from 40 MW in capacity. Extensive study has been completed on various environmental aspects of the development. Glacier has also conducted several public consultation sessions over the past two years. No major impediments to this larger hydro development have surfaced as a result of this effort, and in fact, there has been overwhelming local public support.

Cowley North Wind Plant, Alberta

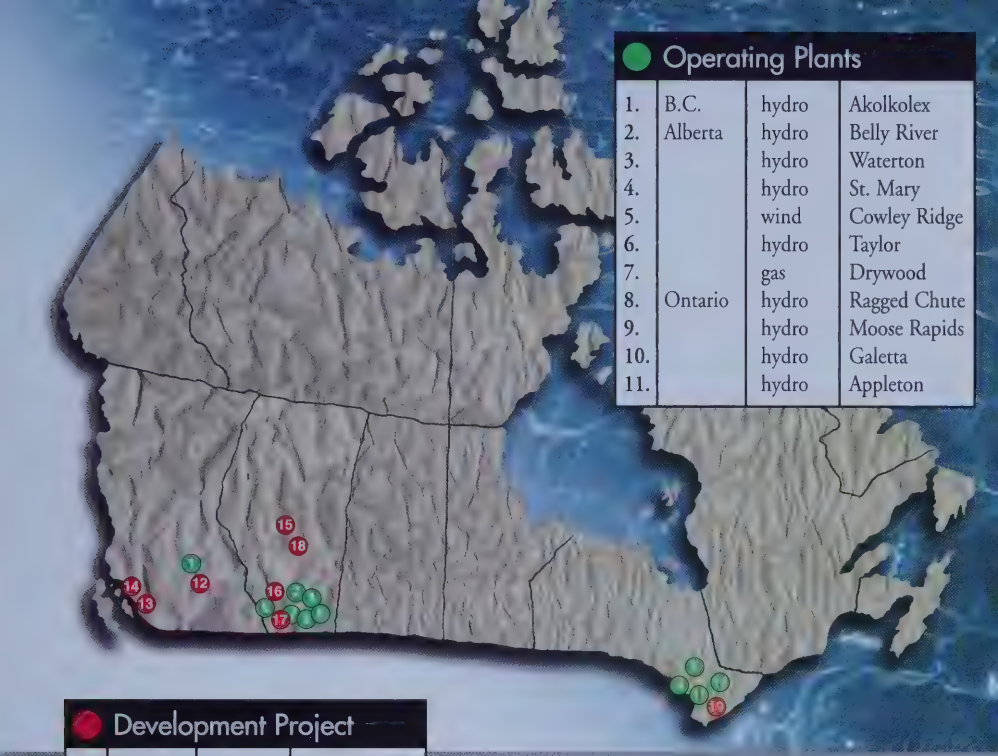
Canadian Hydro has optioned the remaining undeveloped portion of Cowley Ridge where the existing 20.8 MW wind plant is located. Equipment has been ordered and is expected to be installed in the summer, in time for the beginning of the fall "wind season". This new 19.5 MW wind plant will consist of 15 new wind turbines that are 1,300 kW or 1.3 MW each in size. These machines will be roughly twice the capacity of the largest wind turbines currently in operation in Canada today. The expanded Cowley Ridge Wind Plant will total 40.3 MW—world scale by any measure.

Grande Prairie Plant, Alberta

Canadian Gas & Electric Inc., wholly owned by Canadian Hydro, is working with Canfor (Canadian Forest Products) on up to a 25 MW combined heat and power ("CHP") cogeneration plant in northwest Alberta. The Grande Prairie CHP Plant will use Canfor supplied wood waste to generate both electricity and steam for use in the adjacent Canfor processing plant. If implemented, the proposed design will be a showcase facility that will result in significant air-shed improvements through the removal of the existing wood residue incinerator. It will also provide low-cost and stable electricity for Canfor operations, local jobs and, at the option of the City of Grande Prairie, district heat for several buildings in the City core such as the Campus, Recreation Centre and municipal buildings. Provided an agreement with Canfor is executed by June, construction could commence in 2001 and be complete in 2002.

Drywood 2, Alberta

The Company has secured reciprocating engines totaling 7.5 MW and is planning an expansion of its 6 MW Drywood natural gas fuelled plant in 2001. The Drywood Plant became operational in September 2000 and contributed in excess of $1 million to cash flow in the fourth quarter. There is ample land at the existing site and the sub-station has surplus capacity, making an expanded facility at this location ideal.



Operating Plants

1.	B.C.	hydro	Akolkolex
2.	Alberta	hydro	Belly River
3.		hydro	Waterton
4.		hydro	St. Mary
5.		wind	Cowley Ridge
6.		hydro	Taylor
7.		gas	Drywood
8.	Ontario	hydro	Ragged Chute
9.		hydro	Moose Rapids
10.		hydro	Galetta
11.		hydro	Appleton

Development Project

12.	B.C.	hydro	Pingston
13.		hydro	Mamquam
14.		hydro	Ashlu
15.	Alberta	hydro	Dunvegan
16.		wind	Cowley N
17.		gas	Drywood 2
18.		biomass	Grande Prairie
19.	Ontario	hydro	Otonabee

Mamquam and Ashlu Prospects, B.C.

These two prospects are being studied for development with 50% partner, Great Lakes Power. Located in the Squamish area just north of Vancouver, the Mamquam River (25 MW) and Ashlu Creek (54 MW) prospects are considered to be in the lower mainland area, which is favoured by BC Hydro for new generation due to the high regional load. The approval process generally takes in excess of one year, during which we will also be exploring opportunities for the sale of power.

Otonabee Hydroelectric Project, Ontario

Canadian Hydro owns the rights to build hydro facilities on two of the locks owned by the federal government on the Otonabee River section of the Trent-Severn Waterway near Peterborough. Environmental study work, including a public consultation program, was substantially complete at year-end 2000. Approval to construct these projects is expected in 2001. It is anticipated that output from these plants, totalling 5.6 MW, will be sold as green power at premium prices. Timing of the Otonabee project is contingent on deregulation proceeding in Ontario in 2001 and on securing a market-based contract for some or all of the power generated. ◆

Independent Asset Evaluation

McDaniel & Associates Consultants Ltd., a highly respected independent firm of engineers, has evaluated each Canadian Hydro plant as of January 1, 2001. The purpose in engaging McDaniel & Associates is to provide investors and shareholders with third party confirmation of future cash flow estimates.

Using the McDaniel & Associates results, management has prepared the following "pre-tax net asset value" (as opposed to "fair market value") of the Company's fully diluted common shares outstanding. Value has been computed assuming a 10% discount factor on future cash flows of the Company's eleven generating plants and certain development prospects.

Revenues can be predicted with some degree of reliability since the Company has, to varying degrees, sold forward approximately 80% of its output under long-term sales contracts. Using the discounted cash flows determined by the independent engineers, adjustments for long-term debt, working capital, and equity that would be received from potential exercise of warrants and options (to account for full dilution), have been made. The Company estimates that income taxes will not be payable for several years as substantially all the Company's tax pools are represented by accelerated tax write-off classes.

CASH FLOW, NET OF OPERATING EXPENSES, DISCOUNTED AT 10% (PRE-TAX): [1] [3]

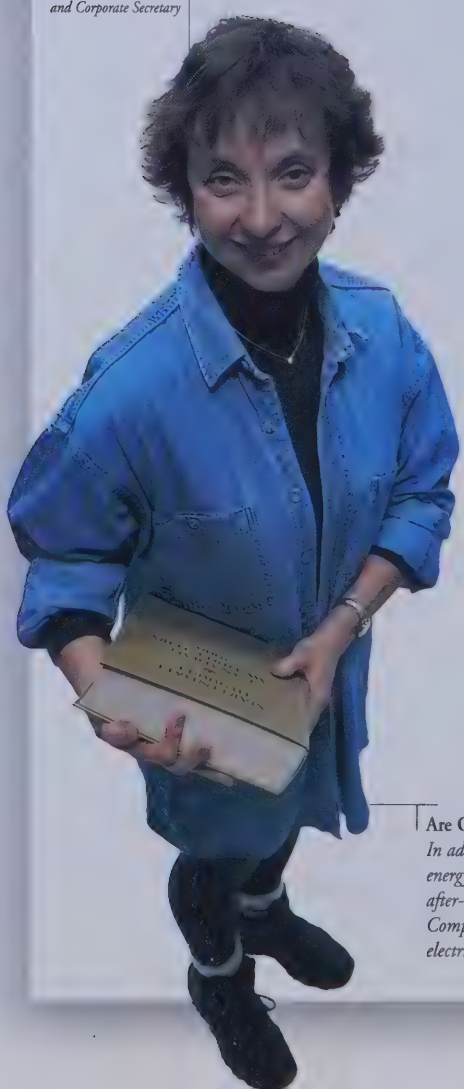
	($ millions)
McDaniel & Associates evaluation @ 10%:	
- Operating Plants	128.8
- Development projects, risked at 50%	102.7
Working capital	-
Long-term debt, excluding current portion	(30.9)
Potential exercise of options	3.2
Potential exercise of warrants	7.6
Net Asset Value, before income tax	211.4
Per Share [2][3]	$5.12

(1) Includes new projects added in 2000. Also includes certain projects that are scheduled to commence construction in 2001 and 2002, namely Pingston, Dunvegan, Cowley North, Drywood 2 and Grande Prairie.
(2) Based on 41,302,707 fully diluted shares outstanding at December 31, 2000.
Using an 8% discount rate increases the pre-tax net asset value to $7.10 per share.
If only Operating Plants are considered, the pre-tax net asset value would be $2.63 per share.
(3) Development Projects are risk adjusted by 50% of the estimated future cash flows discounted at a rate of 10%.

Management's Discussion and Analysis

This section should be read in conjunction with the Consolidated Financial Statements and related Notes included in this Annual Report.

M.Ann Hughes
General Counsel and Corporate Secretary



Results of Operations

Significant improvements in financial results were made in 2000 as a result of the expanded operations in Alberta and the return to normal amounts of precipitation in Ontario. The fundamental increase in the value of fossil fuel manifested itself in greatly improved Alberta Power Pool prices, particularly in the last half of the year. Pool prices averaged $133 per MWh in 2000 as compared to $43 in 1999. Two larger plants, 13.5 MW net to Canadian Hydro's interest, were commissioned in Alberta in 2000 in order to gain exposure to this buoyant spot market. Approximately 20% of Canadian Hydro capacity is exposed to the spot market at year-end.

Are Computers the Culprits?
In addition to an ever-increasing human population, energy producers have had to grapple with the after-affects of a burgeoning technological invasion. Computer use now accounts for a full 12% of all electricity consumption in North America.

Canadian Hydro currently owns and operates nine hydroelectric plants (a tenth is under construction), one wind plant and one natural gas plant in British Columbia, Alberta and Ontario.

Cash flow from operations increased 73% to $6,350,109 in 2000 from $3,670,039 in 1999 on revenues of $17,745,163, up 86% from the prior year. Net earnings also more than doubled to $2,770,303 in 2000 from $1,307,316 in 1999.

Electric Energy Sales

Gross revenue increased 86% to $17,745,163 in 2000 from $9,553,909 in 1999, while electricity generation, net to Canadian Hydro's interest, increased 33% from 176 million kWh to 235 million kWh.

Revenue exceeded last year's forecast of $13.0 million primarily as a result of the start-up of the 50% owned 13 MW Taylor Hydroelectric Plant in May and the 6 MW Drywood Plant in September. In addition, 2000 includes a full year of operations from the Cowley Ridge Wind Plant as compared with six months in the prior year. Management forecasts a further 25+% increase in sales to the $21.5 million range for 2001.

Operating Expenses

2000 operating expenses increased by 206% to $6,123,964 from 1999 expenses of $2,004,469. The increase is attributable to the expanded Alberta operations, the cost of purchasing natural gas for the 6 MW Drywood Plant since it began full-time operations in September, and the termination of a 10 year power purchase agreement with EPCOR in respect of the Taylor Hydroelectric Plant.

Management forecasts 2001 operating expenses for the Company's eleven plants to be $7.0 million.

Interest Expense

Interest on long-term debt of $3,425,186 for 2000 increased 35% over 1999 interest expense of $2,535,135. Long-term interest expense for 2001 is forecast to total $3.5 million. The increases are attributable to the plant additions made in 2000, as well as a full year of operations for the Cowley Ridge Wind Plant.

Long-term debt at December 31, 2000 decreased to $30,914,426 from $37,206,193 at the end of 1999. Interest capitalized due to plant construction for 2000 was $193,321 (1999 - $178,921).

Administration

Administration expenses for 2000 totalled $1,052,076 (1999 - $798,491) as compared to management's forecast of $1.1 million for the year. Administration of $21,555 (1999 – $277,909) was capitalized as construction costs during the year. Administration is forecast at $1.3 million for 2001.

Depreciation

Depreciation increased to $2,015,727 (1999 - $1,455,138) as a result of the increased plant capacity acquired and constructed in Alberta during the year. Depreciation is forecast at $2.2 million for 2001.

Income Taxes

Canadian Hydro has available tax pools totalling $38.4 million (1999 - $33.0 million) as compared to book assets of $73.4 million (1999 - $65.5 million). The Company does not anticipate paying income tax, other than in respect of the Cowley Ridge Wind Plant for several years. However, Canadian Hydro is liable for the Federal Tax on Large Corporations and Provincial Capital Taxes in Ontario and British Columbia. The 2000 provision for these taxes totalled $262,000 (1999 - $248,775).

Cowley Ridge Wind Power Inc., acquired by Canadian Hydro in June, 1999, is fully taxable but is entitled to recover approximately 175% of cash taxes paid annually (limited to 15% of eligible gross revenue) in accordance with the Revenue Rebate Regulation of the Alberta Small Power Research and Development Act. This Regulation will apply until the associated power sale agreements expire in 2013 and 2014.

Effective January 1, 2000 Canadian Hydro accepted the recommendations of the Canadian Institute of Chartered Accountants and adopted the liability method of computing future income taxes as compared to the deferral method previously used. As a result there was a one-time charge to retained earnings of $0.96 million to reflect the change.

Capital Expenditures

Capital expenditures for 2000 of $6,208,696 (1999 - $9,718,999) relate primarily to construction costs incurred for the Drywood, Taylor, and Cowley Ridge expansion projects, as well as project development costs totalling $1,296,089 (1999 - $570,114). In addition, approximately $2.9 million of debt was assumed in relation to the acquisition, effective August 1, 2000, of the remaining 20.5% interest in three Alberta hydroelectric plants incurred to consolidate ownership in these plants to 100%.

Capital Resources and Liquidity

The Company has lines of credit with its corporate bank of $28.6 million, consisting of a revolving credit facility of $25 million, with a Bankers Acceptance option, and a term loan of $3.6 million. Of the revolving credit facility available, $6.6 million was drawn at December 31, 2000 (1999 - $8.1 million), $nil (1999 - $5.9 million) was represented by Banker's Acceptances and $1.5 million (1999 - $1.5 millon) was used to secure letters of credit.

The letters of credit are required as part of the security to project lenders and also, from time to time, in connection with new construction projects. The revolving credit facility is available at the Company's discretion and bears interest at bank prime plus one-half percent. The Company has the option to use Banker's Acceptances for a portion of the drawn facility since the rate is usually lower.

In May, 1998 the Company entered into an interest rate swap arrangement to fix the Company's exposure to interest rate fluctuations on $10 million of borrowings. This arrangement fixes the rate at approximately 6.9% for a three-year term ending on May 14, 2001.

The term facility outstanding at December 31, 2000 of $3.56 million (1999 - $4.04 million) carries a fixed interest rate of 7.38% until April 30, 2003. The Company also incurred additional indebtedness of $2 million as part of the acquisition of a 20.5%

minority interest in three Alberta hydroelectric plants operated by the Company. This note payable is repayable in equal monthly payments over a 12-year period at a fixed 6% rate of interest.

Risk Factors

Risk factors associated with the development and operation of power generation plants relate to environmental concerns, business factors and changes in government regulation.

Environmental Risks

Canadian Hydro operates in three distinct regions of Canada as part of its strategy to diversify geographically since there is always the risk of prolonged drought in any one region. The addition of the Cowley Ridge Wind Plant and the Company's first natural gas fueled plant will further assist in mitigating the risks associated with weather.

The risk of environmental damage during construction activities is also of concern to Canadian Hydro. The Company mitigates this risk, where possible, by utilizing insurance and performance bonds in order to limit its financial exposure.

Business Risks

Like all businesses, commerce related risks exist in day-to-day operations. Cancellation of sales contracts, the unexpected loss or departure of key employees, and increased competition are all factors that could present risk for any business, and Canadian Hydro is not immune.

Interest rate fluctuations are of particular concern to a capital-intensive industry such as the electric power business. Canadian Hydro is fortunate in having fixed interest rate and non-recourse project loans for much of its long-term indebtedness. In addition, with electrical generation contracted for sale to large utilities and select industrial customers, Canadian Hydro has effectively built a "safety net" to protect it from significant loss of sales for several years. When these long-term sales contracts expire, however, the Company will face market price risks, as it currently does with the newly constructed Drywood and Taylor Plants, which sell electricity on a spot basis as "merchant" plants. A list of Canadian Hydro's plants and related contract expiry dates is included in the Report on Operations section of this annual report.

Government Risks

The operation of power generating plants is subject to extensive regulation by various government agencies at the municipal, provincial and federal level. There is always the risk of changes being made in government policies and laws, including rates for water rentals and for income, capital, municipal taxes and for competitive market and political reasons. Canadian Hydro closely monitors government activities, particularly in Alberta and Ontario where the process leading up to deregulation of the industry has resulted in a complete review and overhaul of all regulations governing the industry. Memberships with associations such as the Independent Power Associations in British Columbia, Alberta and Ontario and the Canadian Wind Energy Association provides the independent power industry with credibility and strength when necessary, to ensure a competitive and level playing field is achieved.

Canadian Hydro has established a solid reputation as a reliable and knowledgeable developer of low-impact power projects in Canada. Several Canadian Hydro employees actively represent the independent power industry in federal and provincial regulatory matters pertaining to deregulation and the environment.

Year 2000, Y2K, or the Millennium Bug

Canadian Hydro did not experience any Y2K related problems during the transition to the new century on any plant operations or head office systems. Fortunately, third party costs have been nominal, and no problems surfaced in 2000. Total Y2K-related expenses were not material. ◆

Management Report

All information, including the consolidated financial statements in the Annual report of Canadian Hydro Developers, Inc., is the responsibility of management and has been approved by the Directors. Financial Information presented throughout this report is consistent with the data presented in the financial statements which are prepared in accordance with Canadian generally accepted accounting principles.

The Board of Directors carries out its responsibilities for the financial statements primarily through its Audit Committee, who are not employees of the Company. The Audit Committee meets annually with management and the independent auditors, each whom have full free access to the Committee.

The independent auditors are responsible for auditing the financial statements and giving an opinion thereon.

Auditors' Report

To the Shareholders of Canadian Hydro Developers, Inc.:

We have audited the consolidated balance sheets of Canadian Hydro Developers, Inc. as at December 31, 2000 and 1999 and the consolidated statements of earnings and retained earnings and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2000 and 1999 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

Calgary, Alberta
February 16, 2001

Deloitte & Touche LLP
Chartered Accountants

CANADIAN HYDRO DEVELOPERS, INC.
Consolidated Statements of Earnings and Retained Earnings
Years Ended December 31,

	2000 $	1999 $
REVENUE		
Electric energy sales	17,223,053	9,270,662
Revenue rebate (Note 7)	522,110	283,247
	17,745,163	9,553,909
EXPENSES		
Administration	1,052,076	798,491
Depreciation	2,015,727	1,455,138
Interest on long-term debt	3,425,186	2,535,135
Operating	6,123,964	2,004,469
Prospect development costs written-off	-	38,932
	12,616,953	6,832,165
EARNINGS BEFORE INCOME TAXES	**5,128,210**	**2,721,744**
INCOME TAXES (Note 8)		
Current	791,261	545,775
Future	1,566,646	868,653
	2,357,907	1,414,428
NET EARNINGS	**2,770,303**	**1,307,316**
RETAINED EARNINGS, BEGINNING OF YEAR	**3,766,039**	**2,458,723**
Adjustment for 1999 future taxes (Note 2)	(965,257)	-
RETAINED EARNINGS, END OF YEAR	**5,571,085**	**3,766,039**
Weighted average common shares outstanding (000's)		
Basic	28,062	26,937
Fully diluted	31,197	28,462
Earnings per share (Note 9)		
Basic	0.10	0.05
Fully diluted	0.10	0.05

See accompanying notes.

CANADIAN HYDRO DEVELOPERS, INC.
Consolidated Balance Sheets
December 31,

	2000 $	1999 $
ASSETS		
CURRENT		
Cash	161,830	162,352
Accounts receivable	3,612,443	1,590,001
Revenue rebate (Note 7)	522,110	581,078
Prepaid expenses	161,126	70,867
	4,457,509	2,404,298
Capital assets (Note 4)	73,422,389	65,548,502
Prospect development costs	3,020,469	1,799,880
TOTAL ASSETS	**80,900,367**	**69,752,680**
LIABILITIES		
CURRENT		
Accounts payable and accrued liabilities	2,677,909	2,650,135
Current portion of long-term debt (Note 5)	1,735,970	1,459,135
	4,413,879	4,109,270
Long-term debt (Note 5)	30,914,426	37,206,193
Future income taxes (Note 8)	13,846,106	11,483,518
	49,174,411	52,798,981
SHAREHOLDERS' EQUITY		
Share capital (Note 6(b))	14,744,460	13,187,660
Warrants (Note 6(c))	11,410,411	-
Retained earnings	5,571,085	3,766,039
	31,725,956	16,953,699
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**80,900,367**	**69,752,680**

See accompanying notes.

On behalf of the board:

Director Director

CANADIAN HYDRO DEVELOPERS, INC.
Consolidated Statements of Cash Flows
Years Ended December 31,

	2000	1999
	$	$
OPERATING ACTIVITIES		
Net earnings	2,770,303	1,307,316
Adjustments for:		
Depreciation	2,015,727	1,455,138
Future income taxes	1,566,646	868,653
Prospect development costs written-off	-	38,932
Gain on sale of capital assets	(2,567)	-
Fund flows from operations	6,350,109	3,670,039
Changes in non-cash working capital (Note 10)	(2,517,898)	207,445
	3,832,211	3,877,484
FINANCING ACTIVITIES		
Issue of common shares (Note 6(b))	76,800	-
Issue of warrants, net of issue costs	11,052,096	-
Issue of common shares in subsidiary (Note 3(a))	200,000	-
(Repayment) advances of long- term debt (net)	(8,959,933)	6,030,007
	2,368,963	6,030,007
INVESTING ACTIVITIES		
Acquisition of subsidiary, net of cash acquired (Note 3(c))	-	(1,953,578)
Capital asset additions	(4,912,607)	(7,195,307)
Prospect development costs	(1,296,089)	(570,114)
Proceeds on sale of capital assets	7,000	-
	(6,201,696)	(9,718,999)
NET (DECREASE) INCREASE IN CASH	**(522)**	**188,492**
CASH, BEGINNING OF YEAR	**162,352**	**(26,140)**
CASH, END OF YEAR	**161,830**	**162,352**
Fund flows from operations per share (Note 9)		
Basic	0.23	0.14
Fully diluted	0.21	0.13
SUPPLEMENTAL INFORMATION		
Interest paid	3,425,186	2,535,135
Income and capital taxes paid	792,866	491,194
Capital assets acquired	9,545,114	27,571,302
Prospect development costs incurred	1,565,089	740,113

See accompanying notes.

1. SIGNIFICANT ACCOUNTING POLICIES

Principles of consolidation

These consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries, Canadian Gas & Electric Inc., Cowley Ridge Wind Power Inc. ("Cowley"), Glacier Power Ltd., Canadian Hydro Developers (B.C.) Inc., Canadian Hydro Developers (Ontario) Inc. and Canadian Hydro Marketing Inc. The latter two companies are inactive.

Financial instruments

The carrying value of the accounts receivable, revenue rebate, and accounts payable approximates their fair value at December 31, 2000 and 1999 with virtually no credit risk. The vast majority of sales contracts are with large utility customers with extensive operations in British Columbia, Alberta and Ontario.

The Company's long-term debt is comprised of a revolving credit facility and mortgages and promissory notes. The fair value of the Company's mortgages and promissory notes have not been determined as management is of the opinion that it has mitigated any risk associated with the long-term mortgages by entering into fixed rate revenue contracts of similar or longer duration. The interest rates for the revolving credit facility reflect current market rates and as such book value of the revolving credit facility approximates market value.

Electric operations

Electric energy sales are recognized at the time of generation and delivery to the purchasing utility as metered at the point of interconnection with the transmission system.

Hydroelectric generating plants are carried at cost which consists of direct labour, material and equipment costs, engineering, related administrative costs and interest incurred during construction. Depreciation is provided for on a straight-line basis over the service life of the Company's generating plants. Management estimates hydroelectric plants to have a 40 year useful life, while wind energy and natural gas plants are depreciated over a 20 to 30 year remaining useful life. The estimated service life of electric generating plants is subject to periodic review and as a consequence, may change in the future. Such changes will be implemented on a remaining service life basis.

Certain hydroelectric activities of the Company are conducted jointly with others and accordingly, the accounts reflect only the proportionate interest of the Company.

Vehicles and equipment

Vehicles and equipment are recorded at cost and are depreciated on a declining-balance method over their estimated useful life at rates ranging from 10% to 50%.

Prospect development costs

The Company accumulates costs associated with electric site prospect development activities. Recovery of these costs is dependent upon the successful completion of the related projects. Costs associated with successful projects are capitalized and amortized over the useful life of the projects. Costs of unsuccessful projects are written off in the year the prospect is abandoned.

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income taxes

Income taxes are calculated using the liability method of tax accounting. Temporary differences arising from the differences between the tax basis of an asset or liability and its carrying amount on the balance sheet are used to calculate future income tax liabilities or assets. Future income tax liabilities or assets are calculated using tax rates anticipated to apply in the periods that the temporary differences are expected to reverse. Temporary differences arising on acquisitions result in future income tax liabilities or assets.

2. CHANGE IN ACCOUNTING STANDARD

Effective January 1, 2000, the Company adopted the new accounting recommendation of the Canadian Institute of Chartered Accountants, for accounting for income taxes using the liability method. The new policy was applied retroactively and resulted in the following adjustments to the opening 2000 financial statements; a $189,000 increase in capital assets, a $965,257 decrease in retained earnings, and a $1,154,257 increase in future tax liability.

For the year ended December 1999, the Company followed the deferral method of accounting for tax effects of timing differences between taxable income and income as recorded in the financial statements.

3. ACQUISITIONS

(a) Acquisition of minority interest in Canadian Gas & Electric Company Ltd.

The Company incorporated a new subsidiary, Canadian Gas & Electric Company Ltd. ("CG&E") in 1998, in order to pursue natural gas fuelled generation plants. Integral to their employment with the Company, two officers of CG&E were each granted options to purchase 100,000 common shares of CG&E representing a total of 20% of the then issued and outstanding share capital of the subsidiary. The $1.00 option price to these employees was the same price per share as the Company has paid for its shares in CG&E. These options were exercised by the officers on October 19, 2000, and subsequently, 200,000 shares in CG&E were issued. On October 20, 2000, the Company acquired the remaining 20% outstanding CG&E shares with a fair market value of $1,480,000, based on an independent appraisal of CG&E's net assets, (see Note 11(b)) from the two officers of CG&E. The shares were acquired in exchange for 800,000 shares (see Note 11(b)) of the Company with a market value of $1,480,000 on that date.

The purchase price for the acquisition of the 20% minority interest is allocated as follows:

	$
Capital assets	1,200,000
Prospect development costs	80,000
	1,280,000
Cash received from CG&E shares	200,000
Purchase price	1,480,000

(b) Hydroelectric plants

Effective August 1, 2000, the Company purchased the remaining 20.5% minority interest in three southern Alberta hydroelectric plants.

3. ACQUISITIONS (Continued)

(c) Cowley Ridge Wind Power Inc.

On June 30, 1999, the Company acquired 100% of Cowley Ridge Wind Power Inc. ("Cowley"), which owns the 18.9-megawatt Cowley Ridge Wind Plant ("Wind Plant") located in southwest Alberta, for a cash payment of $2.25 million. Associated with the Wind Plant is project debt assumed of $10.6 million, working capital of $1.35 million and cash reserve account of $0.55 million secured to the project lender. All electricity is sold under long-term contracts to TransAlta Utilities Corporation until 2014.

The Cowley acquisition has been accounted for as a purchase with the results of operations included in these consolidated financial statements from the date of acquisition.

The net assets acquired are as follows:

	$
Net current assets, excluding cash	1,586,502
Capital assets	18,705,901
Deferred tax liability	(7,764,445)
Long-term debt	(10,574,380)
	1,953,578
Cash	296,422
Purchase price	2,250,000

(d) Glacier Power Ltd.

In November 1999, all of the shares of Glacier Power Ltd. ("Glacier") were acquired in exchange for 200,000 common shares of the Company valued at $170,000 (see Note 6(b)). The primary asset of Glacier is hydroelectric prospect data, studies and reports relating to a prospective site located on the Peace River in Alberta and an additional prospect in the Northwest Territories.

4. CAPITAL ASSETS

The major categories of capital assets at cost and related accumulated depreciation are as follows:

	2000			1999		
	Cost	Accumulated Depreciation	Net Book Value	Cost	Accumulated Depreciation	Net Book Value
	$	$	$	$	$	$
Generating plants						
- operating	83,540,824	10,377,470	73,163,354	65,347,327	8,445,996	56,901,331
- construction-in-progress	44,991	-	44,991	8,419,668	-	8,419,668
Vehicles	281,848	145,821	136,027	253,967	114,119	139,848
Equipment	190,850	112,833	78,017	166,968	79,313	87,655
	84,058,513	10,636,124	73,422,389	74,187,930	8,639,428	65,548,502

Interest costs of $193,321 (1999 - $178,921) and administration expenses of $21,555 (1999 - $277,909) associated with the construction-in-progress have been capitalized during construction.

5. REVOLVING CREDIT FACILITY AND LONG-TERM DEBT

The Company has combined credit facilities totalling $28,560,000 with its corporate banker, including a term loan and a revolving credit facility of $25,000,000 (1999 - $18,000,000), which may be drawn upon at the Company's discretion. These facilities are secured by a first floating charge debenture, an assignment of accounts receivable and an assignment of certain sales agreements with Ontario Electricity Finance Corporation. Of the revolving credit facility available, $6,600,000 was drawn at December 31, 2000 (1999 - $8,100,000), $Nil (1999 - $5,927,400) was represented by Banker's Acceptances and $1,480,000 (1999 - $1,453,750) was used to secure letters of credit.

	2000 $	1999 $
Revolving credit facility		
Term loan, bearing interest fixed at 7.38% until April 30, 2003 as part of the Company's credit facilities with its corporate banker. Monthly repayments are $40,000 plus interest until April 30, 2008	3,560,000	4,040,000
Portion currently represented by BAs at the Company's option. The interest rate on this facility varies depending on the length of BAs chosen at each maturity dated, typically six months. The rate in effect until renewal on February 11, 2000 is 6.58%	-	5,927,400
Portion bearing interest at prime plus 0.5%, with interest payable monthly	6,600,000	8,100,000
	10,160,000	18,067,400
Long-term debt		
Mortgage on the Akolkolex Hydroelectric Plant, bearing interest at 10.7% and secured by the plant, related contracts and a reserve fund for $250,000, which has been provided for by a letter of credit to the lender. Monthly repayments of principal and interest are $83,927 until May 31, 2010	5,954,160	6,302,589
Mortgage on three of the Company's Alberta hydroelectric plants, bearing interest fixed at 10.68%, secured by the plants, related contracts and a reserve fund for $250,000, provided in the form of a letter of credit to the lender. The Company's monthly repayment is $31,250 plus interest until December 30, 2012	4,500,000	3,875,625
Secured promissory note, bearing interest fixed at 6% until August 1, 2012 pertaining to the purchase of the remaining 20.5% interest on three Alberta hydroelectric plants. Monthly repayments of principal and interest are $19,348	1,952,114	-
Mortgage on the Cowley Ridge Wind Plant, bearing interest fixed at 10.867%, secured by the plant, related contracts and a reserve fund for $725,000, which has been provided for by a letter of credit to the lender. Monthly repayments of principal and interest are $120,960 until December 15, 2013	10,084,122	10,419,714
	22,490,396	20,597,928
Less current portion	1,735,970	1,459,135
	20,754,426	19,138,793
Revolving credit facility and long-term debt	30,914,426	37,206,193

5. REVOLVING CREDIT FACILITY AND LONG-TERM DEBT (Continued)

In May 1998, the Company entered into an interest swap arrangement with its banker fixing the interest rate on $10,000,000 of BA notes at a rate of approximately 6.9% for a three year term ending on May 14, 2001. Financial settlements are calculated quarterly and paid semi-annually. Had the Company chosen to unwind the interest rate swap at December 31, 2000, the approximate cost would have been $14,197 (1999 - $44,246).

Principal repayments for the long-term debt for each of the five succeeding years are as follows:

	$
2001	1,735,970
2002	1,840,740
2003	1,922,691
2004	2,048,776
2005	2,176,556

6. SHARE CAPITAL

(a) **Authorized**

Unlimited number of common shares
Unlimited number of preferred shares, to be issued in series

(b) **Issued, common shares**

	2000		1999	
	Number of Shares	Amount $	Number of Shares	Amount $
Balance, beginning of year	27,137,427	13,187,660	26,937,427	13,017,660
Issued on purchase of subsidiary	800,000	1,480,000	200,000	170,000
Issued on exercise of stock options	125,000	76,800	-	-
Balance, end of year	**28,062,427**	**14,744,460**	**27,137,427**	**13,187,660**

6. **SHARE CAPITAL** (Continued)

(c) **Warrants**

	2000		1999	
	Number of Shares	Amount $	Number of Shares	Amount $
Balance, beginning of year	-	-	-	-
Issued	6,315,800	12,000,000	-	-
Warrant issue costs net of the tax effect of $358,315	-	(589,589)	-	-
Balance, end of year	6,315,800	11,410,411	-	-

On October 19, 2000, the Company completed a private placement of 6,315,800 special warrants for gross proceeds of $12 million. Each special warrant represents one common share and one-half share purchase warrant. One whole warrant entitles the holder to purchase an additional common share at $2.00 until October 31, 2002. If the stock trades over $3.99 for 20 consecutive days before the expiry date, the Company can call for the exercise of the share purchase warrants. The net proceeds were used to repay a portion of the outstanding revolving credit facility.

In conjunction with the October 19, 2000 offering, the Company issued compensation warrants to the agents in the offering to purchase 631,580 common shares with the same conditions as the share purchase warrants in the offering.

Outstanding warrants to purchase 585,000 common shares at $1.10 per share, issued in connection with the January 1998 public offering, expired unexercised on December 31, 1999.

(d) **Options**

At December 31, 2000, the Company had outstanding options to issue 3,135,000 common shares (1999 - 2,745,000) to directors, officers, employees and other persons.

Options reconciliation table:

	Number of Shares	Weighted Average Exercise Price
Outstanding at December 31, 1998	2,745,000	$0.82
Granted	100,000	$0.85
Expired	(100,000)	$0.83
Outstanding at December 31, 1999	2,745,000	$0.81
Granted	515,000	$1.93
Exercised	(125,000)	$0.61
Outstanding at December 31, 2000	3,135,000	$1.01

6. SHARE CAPITAL (Continued)

The following table summarized information about stock options outstanding at December 31, 2000:

Expiry	Options	Exercise Price
September 6, 2005	500,000	$0.50
September 6, 2005	50,000	$0.81
February 10, 2007	880,000	$0.63
January 5, 2008	500,000	$1.00
July 6, 2008	500,000	$1.25
July 16, 2008	50,000	$1.38
September 30, 2008	40,000	$1.00
September 8, 2009	100,000	$0.85
October 23, 2010	415,000	$1.90
December 4, 2010	100,000	$2.10
	3,135,000	

7. REVENUE REBATE

The revenue rebate is paid by Transalta Utilities Corporation in accordance with the Revenue Rebate Regulation of the Alberta Small Power Research and Development Act, which will apply until the associated power sale agreements expire in 2013 and 2014. The revenue rebate is based on the federal cash taxes paid by Cowley.

8. INCOME TAXES

The components of the future income tax liability at December 31, 2000 are as follows:

	$
Future income tax liabilities	
Capital assets	(13,266,520)
Prospect costs	(1,141,738)
Future income tax assets	
Non-capital loss carryforwards	155,196
Share issue costs	406,956
Net future income tax liability	(13,846,106)

Total income taxes are different than the amount computed by applying the combined expected Canadian and Provincial tax rates of 43.9% (December 31, 1999 - 43.8%) to income before taxes.

8. INCOME TAXES (Continued)

This difference results from the following:

	2000 $	1999 $
Effective tax rate	43.9%	43.8%
Computed expected tax	2,251,284	1,083,160
- non-tax base depreciation of capital assets	-	80,678
- amortization of share issue costs	-	(71,149)
- impact of effective tax rate reduction on future tax liability	(231,782)	-
- large corporation tax and provincial capital tax	262,000	248,775
- other	76,405	72,964
Provision for income taxes	2,357,907	1,414,428
Comprised of:		
Current	791,261	545,775
Future	1,566,646	868,653
	2,357,907	1,414,428

9. EARNINGS AND FUND FLOWS PER SHARE

The fully diluted earnings and fund flows per share figures were computed assuming the exercise of stock options and conversion rights at the beginning of 2000 and 1999. The fully diluted per share figures include the special warrants issued in October 2000, but not the purchase warrants, and are calculated with imputed interest of 5% after tax on proceeds from the exercise of stock options and warrants.

10. STATEMENTS OF CASH FLOWS

	2000 $	1999 $
Changes in non-cash working capital		
Accounts receivable	(1,963,474)	169,199
Prepaid expenses	(90,259)	11,435
Accounts payable and accrued liabilities	(464,165)	26,811
	(2,517,898)	207,445

11. RELATED PARTY TRANSACTIONS

(a) Electric energy sales

In connection with the acquisition of a former subsidiary and as payments for certain engineering services, a gross overriding royalty is payable by the Company on electric energy sales on certain of the Company's hydroelectric plants to a company controlled by a director and officer of the Company. During the year, royalties totalling $48,754 (1999 - $57,344) were paid.

(b) CG&E share purchase

On October 20, 2000, the Company acquired the remaining 20% outstanding CG&E shares with a fair market value of $1,480,000, based on an independent appraisal of CG&E's net assets (see Note 3(a)) from two officers of CG&E. The shares were acquired in exchange for 800,000 shares (see Note 3(a)) of the Company with a market value of $1,480,000 on that date.

12. COMMITMENTS AND CONTINGENCIES

(a) The Company has a sub-lease agreement with Ontario Power Generation ("OPG") for the 6.6 MW Ragged Chute Hydroelectric Plant which may require the Company to provide OPG with vacant possession of the site at the expiration of the lease term in 2004. An estimate of the future removal and site restoration costs associated with this potential event cannot be reasonably determined at this time.

(b) In the ordinary course of maintaining plants and equipment, and in constructing new projects, the Company routinely enters into contracts for goods and services. Subsequent to December 31, 2000, the Company has committed to purchase turbine and generating equipment for approximately $19.8 million for the Pingston Hydroelectric and Cowley North Projects. These projects will be completed over the next two years.

13. SUBSEQUENT EVENT

On February 16, 2001, the Company entered into an agreement to issue by way of private placement up to 1,700,000 special warrants at a price of $3.55 per special warrant. Upon filing a prospectus to qualify the special warrants, each special warrant will entitle the holder to acquire at no more additional cost one flow-through common share of the Company. The proceeds from the issue will be primarily used to fund the installation of up to five wind turbines in the Pincher Creek area of southern Alberta.

John D. Keating, C.A. – Chief Executive Officer
A founding shareholder, director and Chartered Accountant with more than 20 years financial experience, John Keating is also the 1st Vice Chairman of the Independent Power Producers' Society of Alberta (IPPSA) and is a founding participant in the Low-Impact Renewable Energy Coalition that lobbies governments on renewable energy initiatives.

J. Ross Keating, P.Eng – President and Chief Operating Officer
An electrical engineer with more than 20 years experience in design and construction, Ross Keating is also a founding shareholder and director. Ross brings a wealth of hydroelectric technology and design, and construction expertise to Canadian Hydro.

Guido C. Bachmann, P.Eng. – President, Canadian Gas & Electric Inc.
A professional engineer, Guido brings more than 20 years of extensive energy industry experience to Canadian Gas & Electric Inc. Guido is a Past Chairman of IPPSA and he also sits on a number of government committees dealing with electricity deregulation and the environment.

Angelito de la Paz, C.G.A. – Treasurer
M. Ann Hughes, LLB – General Counsel and Corporate Secretary
Lewis Manning, LLB - Vice President, Canadian Gas & Electric Inc.
Bill Johnson, R.P. Bio – Vice President, Environmental Management
Gavin Lowe – Operations Manager
Charlotte Schroeder – Executive Assistant
Hans Michel – Chief Operator, Hydroelectric Plants, Alberta
Peter Wilson – Chief Operator, Cowley Ridge Wind Plant, Alberta
Jim Beck, Chief Operator, Drywood Plant, Alberta
George Michel –Manager, B.C. Operations
Bob Heroux – Manager, Ragged Chute, Ontario
Mike Stockton – Chief Operator, Ottawa Valley Area Plants, Ontario
Albert Palonen/Murray Clark – Operators, Moose Rapids, Ontario

DIRECTORS:
John D. Keating Calgary, Alberta (403) 298-0251
Ross Keating Calgary, Alberta (403) 298-0250
Dennis M. Erker* Edmonton, Alberta
David Stenason* Montreal, Quebec
Kevin Brown* Calgary, Alberta

** Member Audit & Compensation Committees*

REGISTRAR AND TRANSFER AGENT:
Computer Share Investor Services

SHARE STRUCTURE:
Common issued and outstanding 28,062,427
Fully diluted common shares 41,302,707

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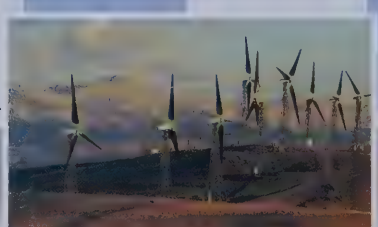
BANKER: National Bank of Canada

INDEPENDENT ENGINEERS:
McDaniel & Associates Consultants Ltd.,
Calgary, Alberta

STOCK EXCHANGE LISTING
Toronto Stock Exchange "KHD"

Ten Year His

FINANCIAL	2000	1999	1998	1997
Gross Revenue	17,745,163	9,553,909	6,127,260	5,317,057
Cash flow from operations, before preferred share dividends:	6,350,109	3,670,039	2,034,656	1,840,630
Per share	$0.21	$0.13	$0.07	$0.10
Net income, before preferred share dividends:	2,770,303	1,307,316	416,971	565,263
Per share	$0.10	$0.05	$0.01	$0.03
Capital expenditures	6,208,696	9,718,999	5,832,478	7,303,430
Assets	80,900,367	69,752,680	40,859,888	34,297,428
Long-term debt	30,914,426	37,206,193	20,969,595	20,356,560
Preferred shares	-	-	-	803,790
Common shares, warrants and retained earnings	31,725,956	16,953,699	15,476,383	6,227,307
Common shares outstanding:				
Basic	28,062,427	27,137,427	26,937,427	14,648,462
Fully diluted	41,302,707	29,882,427	29,603,427	19,945,862
Net book value per share	$1.13	$0.62	$0.57	$0.43
Cash flow return on equity	20.0%	21.6%	13.1%	26.2%
Net income return on equity	8.7%	7.7%	2.7%	8.0%



orical Summary

1996	1995	1994	1993	1992	1991
3,904,823	3,896,703	1,548,726	2,161,937	1,160,851	1,373,343
1,209,266	1,702,204	264,910	828,197	526,963	548,272
$0.07	$0.09	$0.01	$0.05	$0.03	$0.04
352,592	505,590	(495,953)	1,166,441	163,386	752,171
$0.02	$0.03	($0.05)	$0.07	$0.00	$0.05
146,607	2,861,703	8,046,730	824,776	6,494,211	2,774,442
20,463,470	20,885,000	21,656,177	13,772,072	12,697,583	6,643,702
11,369,256	11,920,499	12,568,125	5,366,250	5,664,375	-
1,071,720	1,456,650	1,456,650	1,500,000	1,500,000	1,500,000
4,990,957	5,012,703	4,813,928	5,155,601	4,139,160	3,795,774
12,544,362	12,714,862	13,052,862	12,148,362	12,148,362	11,488,362
18,759,862	19,320,362	19,108,362	17,618,000	17,653,000	16,993,000
$0.40	$0.33	$0.33	$0.38	$0.32	$0.31
19.9%	26.3%	4.2%	12.4%	9.3%	10.4%
5.8%	7.8%	-7.9%	17.5%	2.9%	14.2%

In keeping with Canadian Hydro Developers' commitment to the environment, the paper used for this annual report has been supplied from a sustainable forest program and manufactured using a 100% chlorine-free bleaching process that significantly reduces air emissions. This paper contains 50% recycled and 20% post consumer fiber. The entire report is printed with vegetable-based inks.

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